

## Message Text

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ACTION ABF-01

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FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC IMMEDIATE 6297  
INFO AMEMBASSY PANAMA

C O N F I D E N T I A L CARACAS 0604

PANAMA FOR GAO DE MARCO

E.O. 11652: GDS  
TAGS: AGAO, ENRG, VE  
SUBJECT: GAO REVIEW: OPEC AND OIL COMPANIES

REF: STATE 10223

1. I BELIEVE THAT THE PROPOSED GAO VISIT  
WOULD CREATE SOME REAL PROBLEMS  
FOR US IN OUR RELATIONS WITH THE GOV, AND WILL,  
THEREFORE, HANDICAP OUR CAPACITY TO ESTABLISH  
COMPREHENSION AND PRODUCTIVE RELATIONSHIPS IN THIS  
AND OTHER AREAS. AND ALL THIS UNFORTUNATELY AT THE  
VERY MOMENT OF TRANSITION AND HIGH EXPECTATION WHEN  
BOTH THE GOV AND THE NEW US ADMINISTRATION MUST COME  
TO GRIPS WITH SOME SERIOUS ENERGY ISSUES. WHILE I  
CERTAINLY WISH TO COOPERATE WITH THE GAO, I BELIEVE  
THAT THIS PROJECT REALLY IS COUNTERPRODUCTIVE IN  
TERMS OF THE LARGER US INTEREST AND WOULD IN FACT  
WORSEN THE VERY SITUATIONS IT SEEKS TO EXAMINE.  
THEREFORE I CANNOT CONCUR IN THE PROPOSED VISIT,  
AND MUST ASK THAT THE GAO RESORT TO ALTERNATIVE  
PROCEDURES AND SOURCES--OF WHICH THERE APPEAR TO BE  
MANY--FOR THE DATA DESIRED.

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2. BY WAY OF EXPLANATION OF MY CONCLUSION LET ME  
CALL THE DEPARTMENT'S ATTENTION TO THE FOLLOWING POINTS:

A) THE TIMING COULD NOT BE WORSE. THE OPEC  
PRICE SPLIT HAS BOTH SHOCKED AND SERIOUSLY WORRIED  
THE GOV AND THE VENEZUELAN PUBLIC. THE RECENCY OF THIS  
EVENT HAS SENSITIZED THE GOV AND THE PUBLIC GENERALLY,

AND HEIGHTENED WHAT IS A NORMAL LEVEL OF PARANOIA ANYWAY. AN INVESTIGATION OF THIS KIND NOW BY USG OFFICIALS WILL FURTHER INCREASE THAT PARANOIA AND SUSPICION AND WOULD ALMOST SURELY BE MISUNDERSTOOD.

B) THERE IS ALREADY, AS THE DEPARTMENT KNOWS, A SUSPICION HERE ABOUT THE MULTINATIONALS, AND THE ROLE OF THE USG AND THE INDUSTRIALIZED COUNTRIES GENERALLY IN RECENT OPEC DEVELOPMENTS. A USG INVESTIGATION OF THE SCOPE PROPOSED, BESIDE HEIGHTENING THE SENSITIVITIES REFERRED TO ABOVE, WOULD AT BEST ELICIT GUARDED AND LESS THAN CANDID INFORMATION FROM THE GOV.

C) THIS KIND OF VISIT CANNOT GO UNNOTICED PUBLICLY. THIS WILL FORCE THE GOV TO TAKE PUBLIC POSITIONS AND ANSWER PRESS QUESTIONS, AND HENCE NOT ONLY EMBARRASS IT BUT PERHAPS LEAD IT TO DEFENSIVE POSITIONS MORE EXTREME THAN IT WOULD WANT OR IS NECESSARY.

D) SEVERAL OF THE TOPICS PROPOSED ARE REALLY VERY DELICATE AND SENSITIVE MATTERS, E.G. THE USSR-CUBA SWAP. THIS SUBJECT IS CONTROVERSIAL WITHIN THE GOV AND IS A MATTER THAT HAS BEEN RELATIVELY CLOSELY HELD. THOSE IN THE DEPARTMENT WHO KNOW PRESIDENT PEREZ AND THE PRIDE OF THIS GOVERNMENT CAN IMAGINE THE GOV REACTION TO USG "INVESTIGATION" OF TOPICS SUCH AS THIS AND THE "ROLE OF VENEZUELA IN OPEC". AT BEST WE CONFIDENTIAL

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WOULD BE MET WITH IRRITATION AND LACK OF CANDOR. I DO NOT REALLY BELIEVE THE GOV WOULD WANT TO DISCUSS THESE MATTERS WITH US.

E) GIVEN THE TIMING, THE GOV IS VERY LIKELY TO TAKE THIS STUDY AS REFLECTING THE NEW ADMINISTRATION'S ACTIONS. IT IS THEREFORE VERY LIKELY TO CONFUSE AND MISLEAD THE GOV.

F) THE VERY PROBABLY PUBLICITY AND GOV REACTIONS CANNOT HELP BUT CONFUSE THE CLIMATE ON THIS ISSUE ON THE VIRTUAL EVE OF PRESIDENT PEREZ' STATE VISIT TO THE US.

3. I MUST ALSO SAY THAT I DO NOT UNDERSTAND WHY A VISIT TO VENEZUELA IS NECESSARY FOR PURPOSES OF THE STUDY. THERE ARE, IT SEEMS TO ME, ALTERNATIVE SOURCES: A) THERE IS FIRST THE WEALTH OF BASIC DATA ALREADY COMPILED IN THE GAO'S STUDY DONE LAST

APRIL; B) THE BEST SOURCE OF SUCH INFORMATION IS  
THE INDUSTRY AND THE COMPANIES ARE BEST APPROACHED  
IN THE US; C) THE BEST SINGLE COURSE OF OFFICIAL  
GOV OPINION IS THE VENEZUELAN PETROLEUM ATTACHE IN  
WASHINGTON, AND CONVERSATIONS WITH HIM SHOULD BE  
POSSIBLE WITHOUT THE SAME RISK OF SENSITIVITY AND  
MISUNDERSTANDING.  
VAKY

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